1:Stanford U. S-4, 5 1956 AF14 Central China AF14

crease his family's land holdings is checked by fear lesthe be re-classified as a "rich peasant" and be subject to higher taxes and other pressures. Yet what the Communists deplore as the peasant's "spontaneous capitalistic tendency" has not been crushed, and the landholdings of the more enterprising grow in size.[15]

The effort to force various forms of co-operative work have not been completely successful.

> "...when a serious team-use of labor, tools, and farm animals was attempted, a variety of unsatisfactory results emerged; quarrels among the families interfered with efficient output; no one assumed responsibility for the upkeep of communal property; the claims of inefficient members violated the sense of equity of the more efficient..."[16]

Yet the villagers' way of life has been greatly altered by the intervention of the government, through the cadres, in all social, economic, and political activities. The pressure to conform, at least outwardly, is formidable. Self-chosen leisure time activities are few, meetings occupy a great deal of time, and attendance at harangues by Party cadres, entertainment furnished by traveling theatrical groups (all with their ideological message) take up more of his

15. Rostow, op. cit., p. 152, cites the Peking People's Daily, Feb. 15, 1954.

16. Rostow, op. cit., p. 84.

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1:Stanford U. S-4, 5 1956 AF14 Central China AF14

IV. COLLECTIVIZATION IN CENTRAL-SOUTH CHINA

About the middle of 1951, the Central People's Government of China began to emphasize the fact that land reform was only the first step toward a "socialist economy." The development of "collectivized farming" would be the second stage. The essentials of the collectivization process are mutual-aid teams, agricultural producers' co-operatives, and collective farms. According to Chou En-lai's Report on Government Work, 1954, there were only 18,232 agricultural producers' co-operatives in Central-South China by August of that year, representing about 8 per cent of the country's total of 225,405 units.[14] The total number of producers' co-operatives in China was alleged to have increased to 400,000 in December 1954 and further increased to 650,000 before the autumn plowing in 1955.[15]

Among the Central-South provinces, Honan took the lead in the development of agricultural producers' co-operatives. According to a Communist report in November

14. Survey of China Mainland Press, Hong Kong, U. S. Consulate-General, December 14, 1954, p. 30.

15. Far Eastern Economic Review, Hong Kong, Vol. XVIII, No. 19, May 12, 1955, p. 606. China Daily News, New York, Oct. 27, 1955.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

1954 from Chengchow, Honan, there were 22,000 agricultural producers' co-operatives organized compared with 6,000 before the autumn harvest of the same year.[16] The statistics of other provinces are not available, but if estimated conservatively with 25 per cent for Central-South China in ratio to the entire country, there would have to be around 150,000 units in spring, 1955.

Regarding the state-owned and state-operated farms, some changes have been made since 1952. Generally, there are two types of state farms -- mechanized and semi-mechanized. The large-scale mechanized state farms are principally located in North-east China. In Central-South China, there are only a few large farms. Among them, the "Huang-fan-ch'ü State Farm," near the Yellow River in Honan Province is the largest. "Wan-ch'ing-sha State Farm" in Kwangtung and "Ch'ang-te State Farm" in Hunan are also comparatively large in size. There are also a number of small state farms operated by provincial and hsien governments. According to a Communist report, in 1953 in China as a whole there were 2,340 state farms of all sizes, including 59 mechanized farms, with a total of 2.1 million shih-mou of cultivated

16. New China News Agency, Chengchow, November 10, 1954.

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conducts its former business at a single counter, identified with the name of the former bank; only 40 per cent of the old staff were re-employed, and the important positions were given to new employees sent from the People's Bank or to the so-called activists. 652 453

It is evident that this bank is only a department of the People's Bank, created to deal with private enterprises, and will be dissolved when most of the industry has been converted to joint enterprises and when private commerce will have been full exterminated.

G. Credit Co-operatives

At the bottom of the Communist banking pyramid are the credit co-operatives. Their establishment and operation, at earlier stages, seemed to have the welfare of the peasants in mind; rural credit was to be extended through co-operatives. Now emphasis has shifted, and the Communists try to attract peasants' savings deposits and utilize them to subsidize those in need. Moreover, the government is now attempting to contract its note issue, increased by government purchases of grain and cotton, by forcing farmers to deposit the proceeds of their sales with credit co-operatives. 452 474

There are three types of credit co-operatives: (1) credit co-operatives, the highest level of co-operative organization, having members and directors; their financial resources consist of members' capital and deposits; (2) credit departments, attached to supply and marketing co-operatives which have neither members nor independent capital and which

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for financial resources rely upon deposits and some special funds allocated by the co-operatives concerned and (3) mutual-aid credit, which is of the lowest level. Each credit co-operative is organized among twenty or thirty farmers, each farmer subscribing an equal amount of funds to the group to help those of their own number when in need. Credit is extended by agreement of the subscribers and is redeemable in installments.

At the beginning of the fourth quarter of 1954 it was reported that there were more than 30,000 credit co-operatives in Central-South China, about 42 per cent of the total for all of China.

H. Chinese People's Insurance Company

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The Chinese People's Insurance Company was set up on October 20, 1949, under the direction of the Ministry of Finance and the People's Bank.[6] Its aim was to eliminate foreign-operated and Chinese-owned insurance firms, and to concentrate the insurance business in the hands of the government. Branches and sub-branches were established throughout the country, and where there is no separate branch office of the sinsurance company the People's Bank acts as its agent.

Assets of government organs, state enterprises and co-operatives as well as persons travelling by train, steamer and airplane are compulsorily insured. Group personal insurance and insurance on cotton crops and animals used for ploughing are actively encouraged, while other kinds of insurance are available but not at present actively promoted.

6. Hsin Chung-kuo Ta-shih Chi-k'an [New China Events Quarterly], No. 4, Peking, Jen-min chu-pan-she, 1949, p. 125; Cheng Chu-yüan, op. cit., p. 116.

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were introduced. The primary aim was to eliminate the private wholesale and retail dealers in cotton cloth and to stabilize the prices. As a result of these new measures, the majority of the cotton and cotton-cloth shops were liquidated and such shops changed to other trades. In Kwangtung, approximately 110 branches of the China Cotton Textile Company were organized at the end of August 1954, with about 5,000 civilian retail shops acting as company agents.[76]

B. Supply and Marketing Co-operatives

The supply and marketing co-operative in Communists China is an organization formed on a "voluntary basis" by the peasants. Its capital is made up of shares held by the members; it supplies members with farm implements, fertilizer, and daily necessities, and markets their agricultural produce and products of the local industries. The state trading companies and their branches often make advance contracts with these co-operatives by supplying them their products at fixed low prices. The Communists reported that about 32,625 supply and marketing co-operatives including 1,868 consumer co-operatives, with a total membership of 166 million, had been organized by the end of June 1954. At least, 10,000 such co-operatives were estimated to have been set up in Central-South China during the same period.[77] These co-operatives did an

76. Ibid.

77. Far Eastern Economic Review, Hong Kong. Vol. XVIII, No. 19, p. 597.

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average of 25 per cent of the total retail trade in 1953, namely, 18 per cent of the retail trade in the cities and 30 per cent of that in the countryside. About 75 per cent of all the purchases by the co-operatives in 1953 were made on behalf of the state.[78] In most cases, purchases of raw materials and also such export items as cotton from Honan and Hupeh, hemp from Kiangsi, tobacco from Honan, tea from Hunan, silk from Kwangtung, and tung oil from Hunan were made through the co-operatives.[79]

C. The Private Sector

With respect to private commerce, the State has adopted the policy of utilizing their "positive" activities and restricting their "negative" ones. At the same time, the state is leading them, allegedly at their own insistence on the road to state capitalism. In view of the monopolistic position of the state-owned trading companies, the private wholesale and retail dealers would be automatically squeezed out of business, or would be forced to act as distributing agents for the state-trading firms. In the cotton trade, for example, Section 4 of the "Temporary Regulation of the Supply of Cotton Yarn in the Central-South Area" announced

78. Ibid.

79. Ibid.